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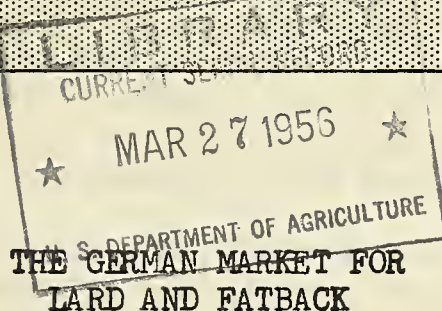
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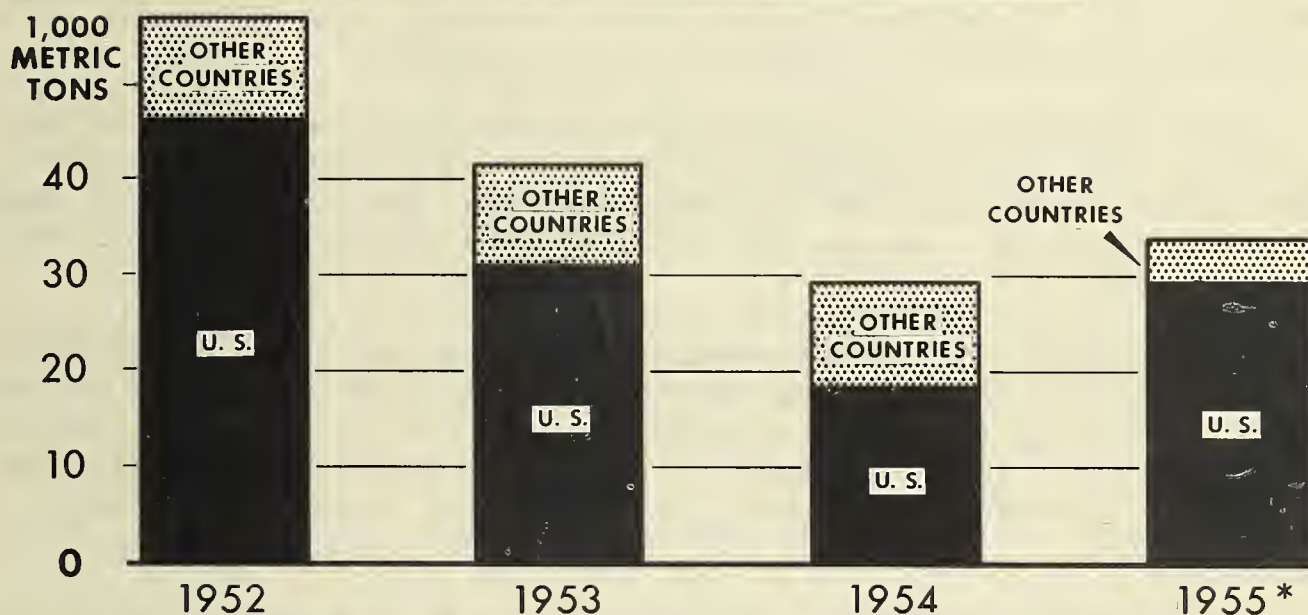
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LARD IMPORTS: FEDERAL REPUBLIC OF GERMANY



USDA

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Lard imports by Western Germany decreased during 1952-54 but increased again during 1955. The United States supplied a much larger share of the market during 1955 as the government made "free dollars" available for the purchase of lard for the first time.

United States lard exports to West Germany in 1956 are expected to continue at least as large as in 1955. Dollars for lard purchases will be freely available.

THE GERMAN MARKET FOR LARD AND FATBACK 1/

SUMMARY

West Germany is the third largest United States export market for lard and is the largest foreign outlet for fatbacks. In recent years slaughter of hogs in West Germany has increased, and the need for imported lard and fatbacks has declined. However, imports of lard still represent a substantial part of West German consumption. A significant portion of all fatbacks consumed continues to be imported.

The United States supplied 63 percent of the West German lard imports during 1954 and held a considerably larger share of the market during 1955 when lard imports from the United States bought with government-allocated "free dollars" were allowed for the first time. Lard exports to West Germany from the United States in 1954 totaled almost 50 million pounds compared with 34 million a year earlier. During the first 11 months of 1955, the latest period for which data are available, exports totaled over 58 million pounds. With dollars being made available for lard purchases, the volume of lard moving from the United States to that market in 1956 is expected to continue at least as large as 1955.

Large domestic production, low prices and large consumption of margarine are the principal factors limiting lard sales to West Germany. Consumption of margarine has increased each year and now exceeds 21 pounds per person per year. The general trend of lard consumption per person has been downward.

The present tariff rate virtually prohibits imports of United States brands of lard in cartons. The duty on lard imported in bulk and melted in West Germany is 10 percent ad valorem. However, the rate for imported refined lard in consumer packages is 20 percent of the c.i.f. value plus a 4 percent Equalization Turnover Tax (calculated on the c.i.f. value plus the duty).

The export of subsidized lard from France to West Germany has decreased sales from the United States through regular commercial channels. The Netherlands, Belgium and Denmark are also competitors for the market.

Imports of fatbacks are closely controlled by the government. Import licenses are required, and importers must buy premium dollars to purchase these products from the United States. United States fatbacks are very desirable from a price and quality standpoint. However, subsidized exports of light, frozen derined backs from France have offered considerable competition against private firms in the United States for the export business.

1/ Prepared by Grover J. Sims on the basis of a first hand study of the West German market.

There are a number of ways in which West German lard consumption can be increased and exports from the United States increased:

(1) Good lard sells itself. The lard exported should be a fresh product, free from excess moisture, packed in new or freshly painted reconditioned drums. Importers would like to have the date of production stenciled on the drums. They want the tare and gross weight on the drums to be accurate.

(2) Lard needs to be advertised and its sales promoted. As there is little consumer advertising now being conducted, modest sums spent for advertising and promotion probably would give large returns in increased sales volume.

(3) United States firms may consider holding stocks of lard in West Germany for sale on a day-to-day basis. This would assure adequate supplies for lard melters at any time, and eliminate the need for the melters to buy lard in nearby countries for quick delivery during a period of about 21 days in which lard from the United States is in transit.

(4) It may be desirable to give technical assistance to lard remelting plants in West Germany for the purpose of helping them improve their product, pack it more attractively, and reduce their costs. Any progress toward reducing costs and enhancing the consumer acceptance of their product will be a net gain to United States producers, since the United States holds such a large share of the market.

(5) The practicability and feasibility of exporting lard to West Germany in bulk tanks should be studied as a possible way to reduce the cost of transportation and the cost of preparing lard for sale in West Germany.

WEST GERMANY DEPENDENT ON IMPORTED LARD AND FATS

Annual Imports of Fats and Oils Around 900,000 Tons

The Federal Republic of Germany is the second largest import market for fats and oils in the world. It depends on imports for more than half of its requirements for edible uses and about 95 percent of its requirements for soap making and other industrial purposes. The total volume of its imports is around 900,000 metric tons annually.

Butter and slaughter fats constitute the bulk of the domestic production. Western Germany grows rape, flaxseed, poppy and a few other oilseeds, but this production is insignificant compared with its total use. The ingredients of margarine, shortening and table oil are mostly of vegetable origin and are imported.

During 1954 imports of fatback and lard by the Federal Republic were equivalent to 47,000 metric tons of lard and amounted to over one-fifth of Germany's estimated production of hog fats on a comparable basis. In recent years slaughter of hogs in West Germany has been increasing and the need for imported lard and fatback has been declining, but imports of lard still amount to a substantial part of West Germany's consumption of lard as such imports of fatback make up a significant part of all fatbacks consumed.

The 1956 Import Outlook

It now appears that United States exports of lard to the Federal Republic of Germany will continue large in 1956. Domestic output of lard in Germany will probably be about the same as a year earlier. Supplies from the United States may continue to make up a larger share of the total imports. However, Germany's imports of lard and fatback in 1956 are expected to total about the same as a year earlier and will be considerably below 1952 or 1953.

West Germany's import requirements for lard (including fatback on a rendered basis) in 1956 will be around 49,000 metric tons, assuming current production estimates and the maintenance of per capita consumption (lard and pork fat on a rendered basis) at 5.5 kilograms. Per capita consumption is calculated at 5.06 kilograms in 1954, but probably was somewhat greater during 1955.

Table I shows the supply and distribution of lard and fatbacks for 1952-55. Production estimates for lard are not available. Therefore, production is derived from the dressed weight of slaughter. The estimates assume that commercially slaughtered hogs yield 15 percent raw slaughter fat and farm-slaughtered hogs have a raw fat yield of 23 percent. The figures in the table are expressed as pure fat equivalent or the actual weight of lard and the rendered weight of the fatbacks.

Table I.-WESTERN GERMANY (INCL.WEST BERLIN): LARD AND FATBACK SUPPLY and DISTRIBUTION 1952-1954 AND ESTIMATED 1955

Item	1952	1953	1954	1955 ^{a/}
	(000 M.T. pure fat equivalent)			
Federal Reserve Stocks, Jan. 1	5.6	10.9	2.7	0.8
Production				
from domestic hogs	208.5	204.0	208.3	239.0
from imported hogs	0.6	3.3	4.8	2.4
Total Production	209.1	207.3	213.1	241.4
Imports				
as lard ^{b/}	56.5	41.6	29.2	33.9
as fatback (rendered weight) ^{c/}	14.5	23.7	17.9	14.9
(Imports from United States)				
(as lard) ^{b/}	(46.1)	(31.0)	(18.4)	(29.0)
(as fatback)(rendered weight) ^{c/}	(10.6)	(13.9)	(6.4)	(6.7)
Exports				
Federal Reserve Stocks, Dec. 31	-	0.5	0.7	1.0
Apparent Consumption	10.9	2.7	0.8	1.0
Total	274.8	280.3	261.4	289.0
Per capita (kg)	5.42	5.47	5.06	5.54
Population (number millions)	50.7	51.2	51.7	52.2

^{a/} Estimate. ^{b/} Imported lard is considered to be 100% pure fat. ^{c/} Im-fatback is considered to be 75 percent pure fat.

Source: Federal Ministry of Food Agriculture and Forestry. 10/18/55

U. S. Holds Large Share of Market

West Germany is the third largest export outlet for United States lard and is the largest foreign outlet for fatbacks. Lard exports from the United States to Germany during 1954 totaled almost 50 million pounds (U.S. Department of Commerce data) compared with 34 million a year earlier and 96 million in 1952. During 1950 exports to Germany totaled 127 million pounds.

The United States supplied 63 percent of the German lard imports during 1954 and held a considerably larger share of the market during 1955, when lard imports from the United States were allowed to be purchased by government allocated "free dollars" for the first time.

The Netherlands, France, Belgium, and Denmark are the other important exporters of lard to West Germany. Sweden and Portugal have also exported to that market in the past three years. During 1955 exports of lard from France were particularly large because of the payment of export subsidies.

United States exports of fatback to West Germany (other pickled, salted, or cured pork according to the U. S. Census classification) during 1954 amounted to 11 million pounds, a substantial drop from the 34 million in 1953 but slightly more than the 10 million in 1952, the first full year since the war that this trade was permitted by the German government. The other suppliers of fatback to Germany are the same as for lard. During 1955 exports from France to Germany were particularly large because of the subsidy arrangement.

West German Lard Production Relatively Small

The strong demand and high prices of fatback in recent years have resulted in relatively little lard being rendered in Germany. Fresh or smoked fatback may usually be sold at prices which will bring greater returns to butchers than if rendered into lard. However, German lard (Flomenschmalz) commands a distinct premium over imported lard because of its distinctive "kettle rendered" flavor. Limited amounts of other types of German lard are made from domestic fats; Schinkenschmaltz, made from ham trimmings and cracklings; Griebenschmalz, containing cracklings; Wurst Schmalz, made from drippings from smoked sausage; and Brautenschmalz, lard cooked with onions and spices. Limited amounts of the special lards, Brautenschmalz and Griebenschmalz are manufactured from imported lard. The relatively small production of the special lards, except Flomenschmalz, are used directly as spreads for bread. There is also a demand for fat chunks to use in various types of sausages. Fatback from France, which are thin, poorly shaped and derined before shipment to Germany are well adapted for this use.

U. S. Fatbacks Very Desirable

United States fatbacks are very desirable in West Germany. Several large importers soak the salted backs to remove excess salt and then smoke them. It is common for these firms to cut the cured fatback in chunks weighing about a pound each and to individually wrap the pieces in cellophane. The pieces are sorted into grades on the basis of the

thickness of each piece (the thicker the piece the better the grade), and packed in cardboard boxes holding around 50 pounds. Because the thicker backs are considered to be more desirable than thin pieces, the importers prefer to bring in pieces of great thickness. A small sample of each piece of fatback is taken by the German veterinary inspectors in their test for trachinae, and the cost of the tests are borne by the importers. Therefore, the larger the piece, the smaller the inspection cost per pound. Because of the consumer's preference for thick pieces and the veterinary inspection requirements, the fatbacks do not come "too thick or too large" for the German importers.

FACTORS LIMITING GREATER U.S. EXPORTS

Import Duties

Effective July 1, 1955 the German Government made concessions on the lard duty. It allows all lard, either prime steam or refined, if remelted in Germany under customs bond, to enter the country with a temporary duty of 10 percent. The remelting eliminates the equalization turnover tax for refined lard. The temporary import duty for all lard not to be remelted is 20 percent ad valorem. For refined lard, there is an additional 4 percent equalization turnover tax. The respective autonomous (i.e., not applied) import duties are 15 percent if the lard is remelted under customs bond and 22 percent if it is not remelted.

This action eliminated the controversy of charging the higher duty on some lard shipped from the United States with the M.I.B. certificates indicating it was prime steam, but when the German authorities examined it they proclaimed it to be refined lard which automatically placed it in the higher duty category. Under the interpretation of this regulation it is sufficient that the lard be brought to a temperature of at least 80 degrees centigrade and becomes fluid.

Before July 1, 1955 the actual rates charged were 10 percent ad valorem for raw or prime steam lard and 20 percent for refined lard.

The saving in the duty on lard imported in bulk plus the desire of the government to use existing lard melting plants encourages bulk shipments of lard to that market and discourages the direct shipment of carton lard to Germany. Very little lard in packaged form was imported in 1955.

The West German Lard Packaging Industry

There are at least 30 firms in the Republic of Germany which have facilities to import lard in drums and put it into consumer packages. These firms sell lard under their own brand names. Two representatives of large United States meat packers have or use lard remelting facilities to repack lard under their brand names. Some lard melting plants have a small capacity and cannot take advantage of labor-saving machinery. On the other hand, some firms have large capacity and operate on an assembly line basis, using up-to-date automatic weighing and packaging equipment.

The lard melting or refining process consists of heating the lard to a fluid state; separating out excess water by centrifical force and filtering

out the grieves (cracklings). The lard is cooled to a plastic consistency and is then packed in consumer-size packages or 12.5 kilogram blocks. Some firms aerate the melted lard which helps to remove objectionable odors or off flavors. The most popular size unit packed is a parchment packet or print containing 250 grams. The remainder is packed in 500-gram parchment packets or in parchment-lined wooden or cardboard boxes containing 2- 12.5 kilogram blocks. The 250 and 500 gram packages are delivered to wholesalers and retailers in 10 and 15 kilo cardboard cartons. The 12.5 kilo blocks are opened in the retail stores and sold to consumers in bulk. In Berlin some of the special lards are packed in flat stainless steel pans (Satten) somewhat like dish pans holding 5 or 10 kilograms each. The pans of lard are delivered to retail stores. Retailers pay a deposit on the pans, which is refunded when they are finally returned to the melting plant. Some lard also is packed in cylindrical plastic containers holding 500 grams and in sealed tin cans of 350 and 750 gram capacity. The lard sealed in cans was convenient for mailing to people outside the Western Sector of the city, but this method of delivery is not permitted at the present time by the government of the Eastern Zone. The plastic containers and tin cans are too costly for general use.

There are at least 8 lard melting plants in Western Berlin which have more than adequate capacity for supplying the city's requirements. The largest firm produces a large proportion of the special flavored lards from imported lard. Some firms from Western Germany ship packaged lard into Berlin. Although their shipments are small, they wish to remain in that market and hope that some of the Russian held territory will be reunited with Western Germany. This development would open up large new markets.

There are 14 margarine manufacturers in the Western Sector of Berlin. The large supplies of margarine and the lack of promotional work for lard are limiting lard sales. In the Western Sector of the city there are around 2,750,000 potential consumers yet the lard consumption is estimated at less than 3,600 metric tons per year.

Dollar Supply Adequate for Lard

Since December 31, 1954 West German imports of lard from the United States have been purchased with dollars allocated by the government. This has made it possible for anyone in Germany to bring in any quantity of lard which could be sold at a profit. Dollars allocated for lard imports have been more than sufficient to cover all requests for importations. Due to Germany's dependence on imports and her improved financial condition, it is not anticipated that the dollar shortage will limit U. S. exports to Germany in the foreseeable future.

Dollars for Fatbacks Limited

Shortages of dollars do limit imports of fatback from the United States. Importers must apply for import licenses whenever the government publishes an "import announcement", specifying the source of the imports and the time of the importations. Importers pay premiums to obtain dollars for payment. The premium in late 1955 was about 16 percent. The issuance

of import licenses and the premiums required to secure dollars both restrict the import movement and are seriously limiting United States trade.

The requirement that each piece of fatback imported into Germany must undergo a test for trachinae is a minor factor which influences the export movement. These tests are performed even though there is little chance that fatty tissue may be infested. Over a period of several years no backs from the United States have been rejected for this reason. The cost of the inspection, as well as the extra labor involved in handling the product is borne by the importer.

Margarine is Principal Competitor of Lard

The large production, low prices, and increasing consumption of margarine are the principal factors limiting lard consumption in West Germany and greater imports from the United States. Margarine production in 1954 was around 620,000 metric tons. For each pound of rendered lard consumed, there are between 10 and 20 pounds of margarine used. Furthermore, the per capita consumption of margarine has been increasing each year while the trend in lard consumption per person has been downward. Imports of lard by Germany dropped from 56,500 metric tons in 1952, to 41,600 in 1953, and to only 29,200 in 1954. During this period there probably was an almost corresponding decline in lard consumption as production of hog slaughter fats (fatback and other raw fat) did not change appreciably. During 1955 German imports of lard increased, and lard consumption increased thus reversing the trend of the previous three years.

Margarine offers severe price competition for lard. In late 1955 prices of packaged imported lard at wholesale were about equal to medium-to-higher quality margarine. Many types of margarine (ranging from medium grades containing milk cultures for flavor and egg yolk for color, which are acceptable butter substitutes, to plain types of cocoanut fat) were available at even lower prices. Some so called 100 percent fat margarine is produced. This type almost completely free from water, is very desirable for frying and cooking.

Low prices and improved quality of the most expensive types of margarine, which are primarily sold as butter substitutes, have encouraged consumers to stop using lard as a spread for bread. The lower grades of margarine, containing a fairly high moisture content, no color or flavor have no special attributes over lard except their low prices. Margarine raw materials are practically all derived from vegetable sources and are imported free of duty. However, the German government requires the margarine to contain small percentages of domestically produced rape seed and tallow to help provide an outlet for these products.

It is estimated that one large firm produces more than 65 percent of the German production of margarine. This organization is in a good position to, and does, promote and advertise its product. By contrast, the German lard importers are small concerns who cannot effectively promote the sale of their product, and do not advertise to a great extent.

Consumer Purchases of Lard Decline

Since 1950 there has been a strong tendency for middle income consumers in West Germany to increase their purchases of margarine, largely at the expense of lard and vegetable shortening. Purchases of table oil have also increased. Per capita purchases of lard, on the basis of a family of 4 typical consumers averaged 239 grams per month during 1950 and decreased each year thereafter to 113 grams per month the average for 1954. According to the Federal Statistics Office, purchases during the first half of 1955 were 127 grams, a somewhat higher rate than the average for the previous year.

TABLE 2 - Purchases of Fats and Oils Per Person Per Month by
an Average Middle Income Household of 4 persons, Federal
Republic of Germany, 1950-55

Year	Lard	Margarine	Table oil	Vegetable shortening	Butter	Total
	<u>Grams</u>	<u>Grams</u>	<u>Grams</u>	<u>Grams</u>	<u>Grams</u>	<u>Grams</u>
1950	239	602	113	120	339	1,413
1951	171	804	120	119	309	1,523
1952	160	914	128	121	301	1,624
1953	151	948	129	93	297	1,618
1954	113	996	132	96	348	1,685
1955 (Jan-June)	127	1,025	129	93	321	1,695

Based on a sample of 250 to 300 families throughout all areas of the Federal Republic. Federal Statistics Office (Wirtschaft und Statistik) September 1955.

In 1950 average monthly purchases of margarine per person were 602 grams, and increased each year thereafter to an average of 996 grams during 1954. During the first half of 1955 consumer purchases were at a much higher rate averaging 1,025 grams per person per month.

Purchases of table oil on a per capita basis by a typical family averaged 113 grams a month in 1950 and increased each year to 132 grams in 1954. During January-June 1955 their average was 129 grams a month.

It is significant that during the period 1950 through the first half of 1955 total purchases of edible fats and oils per person in Germany increased at the expense of lard. Purchases totaled 1,413 grams per person per month in 1950, and rose to 1,685 grams the average for 1954. During the first half of 1955 purchases amounted to 1,695 grams per month.

French Export Subsidies Increase U. S. Competition

The payment of subsidies on exports of lard and fatback from France to West Germany have made it more difficult for United States firms to export to Germany. During late 1955 these subsidies on lard were very large and resulted in a c.i.f. price, free German border of about one-half

the wholesale price in France. In November 1955, under the subsidy arrangement frozen fatbacks from France could be delivered c.i.f. Hamburg for 110 to 120 francs per kilo or about \$310 per metric ton, while United States fatbacks cost around \$350 per ton. The French fatbacks were more desirable for use in the manufacture of sausage as they had the skin removed. However, they were not suitable for sale in their original form because of their thinness and their irregular shape.

RECOMMENDATIONS FOR INCREASING U.S. LARD EXPORTS AND MEETING THE COMPETITION FROM MARGARINE AND FOREIGN SUPPLIES

There are a number of ways to meet the competition against lard in the German market and to increased United States sales.

Export High Quality Lard

United States firms should send only fresh high quality lard to that market. Producers of a quality product soon gain a wide reputation in Germany where there are a relatively few importers. On the other hand, firms which have sent poor quality lard soon find they are discriminated against, and it is difficult to make repeat sales in volume. German importers desire to have the date of production stenciled on the drum. Users of second hand drums should repaint them. Shippers should avoid obliterating any of the original markings on the drums before shipment, as this will immediately arouse the suspicions of the importer as to the age or origin of the product. The importers want accurate weight and freedom of excess water in the drums.

Reduction in Duties Desired

The West German duty on lard should be reduced so that imports of margarine materials will not have an advantage over lard imports as at present. Also, if the duty on packaged pure lard was reduced, United States firms could export lard directly to Germany in consumer-size units. They could promote and advertise their product under their own brand names, and could assure that only high quality lard reached consumers.

Need for Promotional Work

Direct promotion and advertising for lard needs to be started. Modest sums spent for advertising and promotion would pay big dividends in greater consumer sales. Promotion and advertising could be carried out by newspapers, magazines, billboards, radio and television. It could also be achieved through posters in streetcars, railroads, and similar places, and in the movies.

The distribution of good color movies pointing out the superior qualities and uses of lard would be an excellent way to gain new consumers. Such movies could be distributed by the United States Information Agency, which now shows films to very large audiences. If the promotion films were prepared in such a way as to encourage consumption of lard, not necessarily U. S. lard, United States producers would still get the bulk of the benefits from increased lard use and the promotion efforts would not be opposed by farmers organizations in Germany. Such films would encourage German..

farmers, lard importers, wholesalers and retailers to cooperate in their distribution and in securing audiences for them. Such films could easily be converted for use in other countries by the addition of new sound, a fairly inexpensive process.

Maintaining U. S. Stocks Abroad

United States lard producers should weigh the advantages that would accrue through increased lard sales and the extra expense involved in maintaining stocks of lard in their ownership in Germany for sale on a day-to-day basis. The lard melters in Germany operate on an assembly line basis, and there must be a steady flow of lard through their plants. In order to always have supplies on hand, they often have to order lard one to two months in advance of its arrival. If they run short of lard, they must await shipments arriving in about 21 days from the United States or look to Belgium, Holland or some other nearby source for a shipment for early arrival. If packers maintained supplies of lard for sale in West Germany, the lard melting organizations could replenish their supplies in a matter of a day or so. This method of sale would also allow importers to see the lard before they bought it and eliminate any uncertainty as to its quality, which they cannot do now.

Technical Assistance to Lard Melters

Lard remelting plants in Germany should be given any technical assistance which will help them to improve the quality of their product, to pack it more attractively and reduce their costs by helping to make their plants more efficient. German lard melters could be invited to come to the United States to study lard production, processing and packaging techniques. Any gains made in decreasing the costs of packaging lard or in enhancing its consumer acceptance through improved quality or packaging would make it possible for the United States to sell more lard to Germany to the direct advantage of our domestic lard producers.

Feasibility of Bulk Shipments

The practicability and feasibility of exporting lard in bulk tanks should be studied as a possible way to reduce the cost of transportation and preparing lard for sale in Germany. The tare on shipments of lard in drums amounts to about 15 percent of the weight of the lard. The drum itself is fairly expensive, especially if the lard importer cannot sell the empty one to advantage. Imports of lard in bulk tanks would in some cases permit pumping from the vessel directly into lard melting plants and much more economical handling of the product than under present conditions. The only apparent disadvantage to the bulk tank method of shipment is the extent to which the quality of the lard would be affected during transport.

